

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION**

DELPHIX CORP.,
Plaintiff,

v.

ACTIFIO, INC.,
Defendant.

Case No. [13-cv-04613-BLF](#)

**ORDER DENYING MOTION TO
SEVER AND TRANSFER; STAYING
ENTIRE ACTION DURING PENDENCY
OF *INTER PARTES* REVIEW**

[Re: ECF 148, 149, 150]

Before the Court is defendant Actifio, Inc.'s Motion to Sever and Transfer Its Patent Claims. Def.'s Mot., ECF 150. Also before the Court are the parties' respective supplemental briefs regarding an extension of the stay this Court entered on November 13, 2014. ECF 148, 149. The Court finds Actifio's motion suitable for submission without oral argument and VACATES the July 30, 2015 hearing date. Having carefully considered the parties' respective written submissions, Actifio's motion is DENIED and this action is STAYED in its entirety.

I. BACKGROUND

This consolidated action began as a simple patent infringement lawsuit by plaintiff Delphix Corp. accusing defendant Actifio, Inc. of infringing five of Delphix's patents. Actifio, in turn, accused Delphix of infringing two of its own patents, causing Delphix to file a second lawsuit in this district seeking a declaration that it does not infringe the Actifio patents. Actifio moved to relate the cases in April 2014, ECF 50, which this Court granted, and the parties subsequently stipulated to consolidate the two cases, ECF 58. In September 2014, Delphix obtained leave to add a claim against Actifio for trade secret misappropriation. ECF 95.

1 While all of this was happening, Actifio filed another lawsuit asserting two more of its
 2 patents in the District of Massachusetts. *Actifio Inc. v. Delphix Corp.*, No. 1:14-cv-13247
 3 (“Massachusetts Action”). Delphix sought to transfer the claims in the Massachusetts Action to
 4 this district, contending that this action was first-filed. Pl.’s Mot. to Amend, ECF 79; Decl. of S.
 5 Giri Pathmanaban, ECF 150-1 Exh. D. The Massachusetts court denied that motion on March 17,
 6 2015. Pathmanaban Decl. ¶ 6.

7 On October 9, 2014, after filing petitions for *inter partes* review (“IPR”) of all five patents
 8 asserted by Delphix in this case, Actifio moved to stay this entire action. Mot. to Stay, ECF 103.
 9 Delphix opposed a stay as vigorously as Actifio advocated in favor of one. On November 13,
 10 2014, the Court partially granted Actifio’s request and stayed proceedings in connection with
 11 Delphix’s patents-in-suit pending decision on Actifio’s IPR petitions before the Patent Trial and
 12 Appeal Board (“PTAB”) of the United States Patent and Trademark Office. Stay Order, ECF 118.
 13 Unaffected by the stay were Delphix’s claim against Actifio for trade secret misappropriation and
 14 Actifio’s claims against Delphix for infringement of two Actifio patents. The Court observed that
 15 in light of the uncertain outcome of the then-just filed IPR petitions, the parties should proceed on
 16 those claims unlikely to be affected by the IPR “at least until the potential effect of Defendant’s
 17 IPR petitions can be better evaluated after the PTAB’s decision on those petitions.” *Id.* at 5. In
 18 May 2015, the PTAB instituted IPR on all of Delphix’s patents-in-suit. *See* Updated Joint Case
 19 Management Statement at 20, ECF 138.

20 Delphix now requests that the Court stay this entire action during the pendency of IPR
 21 proceedings. In a surprising turn of events, Actifio now opposes such a stay and requests that the
 22 Court permit the parties to continue litigating Actifio’s patent infringement claims and Delphix’s
 23 trade secret misappropriation claim. In the alternative, Actifio requests that the Court sever its
 24 patent claims from this action and transfer those claims to the District of Massachusetts.

25 II. LEGAL STANDARD

26 Federal Rule of Civil Procedure 21 provides that “the court may at any time, on just terms,
 27 add or drop a party. The court may also sever any claim against a party.” A court’s discretion
 28 under Rule 21 is broad, and “[t]he court may sever the claims against a party in the interest of

1 fairness and judicial economy and to avoid prejudice, delay or expense.” *Apple Inc. v. Wi-LAN*
 2 *Inc.*, No. C 14-2838 CW, 2014 WL 4477362, at *3 (N.D. Cal. Sept. 11, 2014) (citing *Coleman v.*
 3 *Quaker Oats Co.*, 232 F.3d 1271, 1296-97 (9th Cir. 2000)).

4 Similar factors inform a court’s discretionary decision to stay litigation pending parallel
 5 proceedings in the PTAB, as a court must consider “(1) whether discovery is complete and
 6 whether a trial date has been set; (2) whether a stay will simplify the issues in question and trial of
 7 the case; and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to
 8 the nonmoving party.” *PersonalWeb Technologies, LLC v. Apple Inc.*, ---F. Supp. 3d---, No. 4:14-
 9 CV-1683 YGR, 2014 WL 4757816, at *2 (N.D. Cal. Sept. 24, 2014).

10 As to discretionary transfers, a district court may do so in the interest of justice for the
 11 convenience of the parties and of the witnesses. 28 U.S.C. § 1404(a). In a case not involving a
 12 forum-selection clause, a district court considering a § 1404(a) motion “must evaluate both the
 13 convenience of the parties and various public-interest considerations.” *Atl. Marine Constr. Co.,*
 14 *Inc. v. United States Dist. Court for the Western Dist. of Texas*, ---U.S.---, 134 S. Ct. 568, 581
 15 (2013). The parties’ convenience and other private interests entails consideration of a number of
 16 factors including the plaintiff’s choice of forum, the parties’ contacts with the forum, the contacts
 17 relating to the plaintiff’s claims in the chosen forum, the “relative ease of access to sources of
 18 proof; availability of compulsory process for attendance of unwilling, and the cost of obtaining
 19 attendance of willing, witnesses; . . . and all other practical problems that make trial of a case easy,
 20 expeditious and inexpensive.” *Id.* at 581 n.6 (quoting *Piper Aircraft Co. v. Reyno*, 454 U.S. 235,
 21 241 n.6 (1981)); *Jones v. GNC Franchising, Inc.*, 211 F.3d 495, 498–99 (9th Cir. 2000). No
 22 single factor is dispositive, though a plaintiff’s choice of forum must be accorded some weight in
 23 the analysis. *Atl. Marine*, 134 S. Ct. at 581 n.6. “Public-interest factors may include ‘the
 24 administrative difficulties flowing from court congestion; the local interest in having localized
 25 controversies decided at home; [and] the interest in having the trial of a diversity case in a forum
 26 that is at home with the law.’” *Id.* (quoting *Piper Aircraft*, 454 U.S. at 241 n.6) (alteration in
 27 original). A transfer may not be appropriate if it would “merely shift rather than eliminate the
 28 inconvenience.” *Decker Coal Co. v. Commonwealth Edison Co.*, 805 F.2d 834, 843 (9th Cir.

1 1986). Ultimately, the party seeking to transfer a case bears the burden of demonstrating that
 2 transfer is appropriate. *Id.*

3 **III. DISCUSSION**

4 Fairness, judicial economy and the interest in avoiding prejudice, delay or expense weigh
 5 in favor of staying this entire action and denying Actifio's request to sever its patents and transfer
 6 them to Massachusetts. As this Court previously found, the Delphix patents subject to IPR are a
 7 significant portion of this action. Stay Order at 4. Now that IPR has been granted on all of
 8 Delphix's patents-in-suit, it is clear that a substantial portion of the action will remain stayed. As
 9 explained below, there are significant overlaps in the evidence, technology, and legal issues that
 10 the Court and a jury would have to consider in deciding the parties' respective claims. As such, a
 11 more comprehensive stay of the entire action is in order pending IPR of the Delphix patents.

12 Actifio argues that its patents in this case should be severed because they are "substantially
 13 different" from those asserted by Delphix, attempting to invoke the reasoning of the court in
 14 *Cellectricon AB v. Fluxion Biosciences, Inc.*, No. C-09-3150 RMW, 2011 WL 1557987 (N.D. Cal.
 15 Apr. 25, 2011). *See* Def.'s Mot. 4-5. The trouble with this argument, as Delphix notes, is that
 16 Actifio has previously represented to the Court the *similarities* between its and Delphix's claims.
 17 Pl.'s Opp. 4-6. Actifio's attempts to diminish its prior representations to the Court are
 18 unpersuasive. Def.'s Mot. 5 ("Actifio sought to relate the two cases not because Actifio's patent
 19 claims substantially overlap with Delphix's patent claims, but because both cases were filed
 20 within weeks of each other in the same district, involved the same parties and counsel, no schedule
 21 had been set in either case, and there was no indication that the Court might stay Actifio's patent
 22 claims."). The Court does not speculate about a party's intent when it files a motion to relate
 23 cases; it takes statements in the moving papers at face value. Actifio urged the Court to relate the
 24 action on Actifio's patents to Delphix's separate infringement action against Actifio in order to
 25 avoid "unduly burdensome duplication of labor and expense or *conflicting results* if the cases are
 26 conducted before different Judges." Def.'s Admin. Mot. to Relate at 2, ECF 50 (emphasis added).
 27 Severing and transferring Actifio's patent claims at this stage would merely revive the specter of
 28 duplicative labor and expense and conflicting results, this time *after* the parties have already

1 expended time and resources litigating the claims in this district.

2 Actifio's claim that its patents—and the issues tied to those patents—are substantially
3 different from Delphix's patents is further undercut, as Delphix notes, by the fact that Actifio cites
4 Delphix's patents as "evidence" that Delphix infringes Actifio's patents in its Patent Local Rule 3-
5 1(a) infringement contentions.¹ Pl.'s Opp. 5; *see generally* Decl. of Ryan J. Marton, ECF 158-1
6 Exh. 1. Actifio argues without any support that this fact "provides no justification to avoid
7 severance or transfer." Def.'s Reply 3, ECF 162. This fact, however, is critical to the Court's
8 consideration of whether Actifio's patents are similar to Delphix's and, as such, whether it would
9 be fair and efficient to keep Actifio's patents in this case. Because Actifio is apparently accusing
10 Delphix products that may embody Delphix's patents-in-suit and asserting that features claimed in
11 those patents infringe Actifio's patents, it is clear that the same evidence and witnesses regarding
12 Delphix's patents and products would be relevant to both parties' patent infringement claims.
13 Further, Actifio's reliance on Delphix's patents to prove infringement suggests that there are
14 overlapping issues of infringement and invalidity that would benefit from adjudication before one
15 tribunal.

16 Nor is the Court persuaded by Actifio's complaint of prejudice from staying this action and
17 denying its motion to sever. The only prejudice that Actifio identifies comes from having engaged
18 in some discovery on the active claims in this case.² Def.'s Opp. 5-6. As Delphix notes, however,
19 the parties have a cross-use agreement allowing discovery in this case to be used in the
20 Massachusetts Action. Pl.'s Opp. 8. While it is not clear whether the parties have also agreed to
21 use discovery from the Massachusetts Action in this case, there is no reason why they cannot work
22 out a similar arrangement. Furthermore, given the existing cross-use agreement, the limited
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24 ¹ The Court observes that Actifio moved for leave to amend those contentions mere days before
25 Delphix's opposition to this motion was due. ECF 152.

26 ² Because Actifio contends that the parties are not direct competitors, the Court does not
27 understand Actifio to be arguing that there is undue prejudice from the mere delay in resolving its
28 patent claims. *See* Def.'s Mot. to Stay at 12-13, ECF 103; Def.'s Stay Reply 12-14, ECF. In any
case, "delay in having a party's own claims adjudicated in court does not constitute undue
prejudice." *Riverbed Tech., Inc. v. Silver Peak Sys., Inc.*, No. C 13-02980 JSW, 2014 WL
1647399, at *2 (N.D. Cal. Mar. 14, 2014).

discovery conducted in this case thus far will not go to waste and will still be available once the stay is lifted.

Even if the Court were inclined to undo consolidation and sever Actifio's patents from this case, Actifio has not demonstrated that a transfer to the District of Massachusetts would promote the interest of justice. Delphix filed suit in this district seeking a declaration that it does not infringe the Actifio's patents. Delphix's choice of forum is entitled to some weight in light of the fact that it is headquartered in this district and its products are accused of infringing Actifio's patents. Marton Decl. Exh. 2 ¶ 3; *Atl. Marine*, 134 S. Ct. at 581 n.6 (citing *Norwood v. Kirkpatrick*, 349 U.S. 29, 32 (1955)). While anticipatory suits may be disfavored as "aspects of forum-shopping," *Alltrade Inc., v. Uniweld Prods., Inc.*, 946 F.2d 622, 628 (9th Cir. 1991), so is outright forum-shopping. Indeed, Actifio's own argument against Delphix's choice of forum is undermined by its failure to seek transfer earlier in this litigation. No rule of this Court required Actifio to affirmatively seek relation of the two actions Delphix filed in this district. Nor did Actifio need to stipulate to consolidate the actions once related. Even at the time it moved to stay this entire action in October 2014, or when it opposed Delphix's efforts to transfer the Massachusetts patents to this district, Actifio could have requested a severance of its claims. Instead, Actifio waited until after the PTAB had instituted IPR on all of Delphix's patents-in-suit to now claim that a stay of the entire action is no longer warranted. Given Actifio's apparent willingness to litigate in this forum until recently, the Court finds that Delphix's choice of forum is entitled to weight in the transfer analysis.

As to the other private interest factors, Delphix has identified a number of party and non-party witnesses that reside in this judicial district. Pl.'s Opp. 11. "The convenience of witnesses is said to be the most important factor in passing on a transfer motion." *Los Angeles Mem'l Coliseum Comm'n v. NFL*, 89 F.R.D. 497, 501 (C.D. Cal. 1981). Of particular importance is the convenience of non-party witnesses and their relative importance in the case. *Saleh v. Titan Corp.*, 361 F. Supp. 2d 1152, 1160-61 (S.D. Cal. 2005) (quoting *Aquatic Amusement Assoc., Ltd. v. Walt Disney World Co.*, 734 F. Supp. 54, 57 (N.D. N.Y. 1990)). Actifio disputes whether litigation in Massachusetts would really inconvenience Delphix's non-party witnesses, Def.'s

1 Reply 4, but fails to identify any significant improvement in convenience from transferring the
2 Actifio patents to Massachusetts. While this and the other pragmatic factors are essentially
3 neutral, it serves to underscore the fact that transfer would “merely shift rather than eliminate the
4 inconvenience.” *Decker*, 805 F.2d at 843. That is not sufficient to satisfy Actifio’s burden to
5 demonstrate that transfer is warranted.

6 As a final practical matter, Actifio cannot guarantee that there would be any increased
7 efficiency to the Court or to the parties from severance and transfer. As Actifio has already argued
8 vociferously to the Massachusetts court that its patents in this case are different from the patents in
9 that action, it is unlikely that the Massachusetts court would simply fold these patents into its
10 current schedule, as Actifio so optimistically contends. Def.’s Mot. 8; Pl.’s Opp. 9-10. Were this
11 Court to grant Actifio’s motion, the end result would more likely be three different cases tried to
12 three different juries, thereby compounding the inconvenience to the parties and congesting the
13 docket of the court that receives the severed claims.

14 In sum, Actifio has failed to demonstrate that severance and transfer of its patent claims
15 against Delphix would be in the interest of justice. As a stay of this entire action, which is still in
16 the early stages of discovery, is likely to simplify the issues in question and would not unduly
17 prejudice either party, the Court finds that the stay entered November 13, 2014 should be extended
18 and expanded to include all claims in this action.

19 **IV. ORDER**

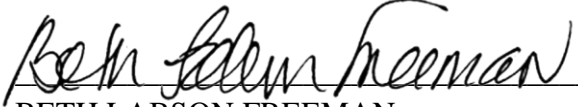
20 For the foregoing reasons, IT IS HEREBY ORDERED that Actifio’s Motion to Sever and
21 Transfer Its Patent Claims is DENIED.

22 This action is HEREBY STAYED during the pendency of *inter partes* review proceedings
23 on Delphix’s patents-in-suit (U.S. Patent Nos. 8,150,808 (’808 Patent); 8,161,077 (’077 Patent);
24 8,548,944 (’8944 Patent); 8,566,361 (’361 Patent); and 8,468,174 (’174 Patent)). The stay will not
25 preclude the parties from completing briefing on Actifio’s motion for leave to amend infringement
26 contentions, nor will it preclude Magistrate Judge Howard R. Lloyd from hearing and deciding
27 that motion. The case schedule, with the exception of the hearing date on Actifio’s motion for
28 leave to amend infringement contentions, is VACATED.

1 The parties shall provide the Court with a joint report by **no later than December 3, 2015**
2 regarding the status of IPR.

3 **IT IS SO ORDERED.**

4 Dated: July 8, 2015

5 
6 BETH LABSON FREEMAN
United States District Judge

United States District Court
Northern District of California